

Message Text

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ACTION NEA-11

INFO OCT-01 EUR-12 EA-10 ISO-00 AID-05 CEA-01 CIAE-00
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SUBJ: GODE MEETING ON AID TO EGYPT

REF: (A) PARIS 19401, (B) PARIS 19398, (C) KUWAIT 2197

1. DIRECTORS FROM THE FOUR MEMBER STATES OF THE GULF ORGANIZATION FOR DEVELOPMENT OF EGYPT (GODE), SAUDI ARABIA, KUWAIT, UAE AND QATAR, HELD A "REGULAR" MEETING IN KUWAIT JUNE 20 AT THE OFFICES OF THE KUWAIT FUND. KUWAIT'S REPRESENTATIVE TO THE MEETING, KUWAIT FUND MANAGING DIRECTOR ABDUL MOHSEN AL-HUNAIIF, PROVIDED ECON CHIEF WITH FOLLOWING ON THE MEETING.

2. NO STATEMENT WAS ISSUED AT THE END OF THE MEETING BECAUSE
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IT WAS ONE OF FOUR THE DIRECTORS ROUTINELY HOLD PER YEAR.
THE DIRECTORS DISCUSSED THE PARIS CONSULTATIVE GROUP MEETING ON EGYPT AND WERE QUITE AWARE OF THE IMF'S ESTIMATE OF \$650 MILLION AS THE GAP WHICH NEEDED TO BE COVERED FOR EGYPT IN THE COMING YEAR AND OF THE HIGHER IBRD FIGURE OF \$900 MILLION. HOWEVER, GODE DIRECTORS DO NOT WANT THEIR ORGANIZATION TO BECOME ONE SIMPLY DESIGNED TO COVER WHATEVER "RESIDUAL" NEEDS EGYPT HAS.

THE ORGANIZATIONS'S INITIAL \$2 BILLION CAPITAL HAD BEEN DESIGNED TO COVER PROJECTS OVER A 5-YEAR PERIOD. THE SPECIAL NEEDS IN 1976-77 MEANT THAT THE MONEY WAS ALMOST ALL COMMITTED BY NOW. RECAPITALIZING GODE WAS OBVIOUSLY ONE POSSIBILITY, BUT THE ORGANIZATION COULD ALSO GENERATE FUNDS FOR EGYPT BY BORROWING MONEY ITSELF OR BY GUARANTEEING LOANS TO EGYPT. IF GODE'S GOVERNORS (I.E., FINANCE MINISTERS) DID AGREE TO INCREASE THE ORGANIZATION'S CAPITAL, HUNAIF SPECULATED THAT THEY WOULD NOT MAKE THIS INCREASE IN ANY WAY DIRECTLY RELATED TO THE ESTIMATED GAP FOR EGYPT FOR THE NEXT YEAR. THE DIRECTORS AGREED THAT THE GODE GOVERNORS SHOULD MEET; HUNAIF DID NOT KNOW WHETHER THIS WOULD TAKE PLACE IN THE NEXT MONTH OR AFTER RAMADAN. IF SUCH A MEETING DOES TAKE PLACE IT WILL BE CHAIRED BY KUWAIT'S GOVERNOR, FINANCE MINISTER ATEEQI. HUNAIF SPECULATED THAT GOVERNORS WOULD MOST LIKELY MEET IMMEDIATELY AFTER SOME OTHER GATHERING SUCH AS ONE OF THE ARAB MONETARY FUND OR THE SEPTEMBER IBRD/IMF MEETINGS RATHER THAN COMING TOGETHER JUST FOR GODE.

3. QUERIED ABOUT HOW GODE OBTAINS ITS INFORMATION ON THE EGYPTIAN ECONOMY, HUNAIF SAID MOST OF THIS COMES TO THEM THROUGH THE IBRD AND THE IMF. HUNAIF HIMSELF WILL BE IN WASHINGTON FOR MEETINGS WITH IBRD/IMF DURING THE FIRST TWO WEEKS OF JULY. ECON CHIEF SUGGESTED NEA/ARP'S ZIOLKOWSKI AS POSSIBLE CONTACT SHOULD HE WISH TO MEET WITH ANY USG OFFICIALS.

4. COMMENT. PREVIOUSLY FINANCE DIRECTOR, HUNAIF WAS RECENTLY LIMITED OFFICIAL USE

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NAMED ONE OF THREE MANAGING DIRECTORS OF THE KUWAIT FUND. HE SEEMS WELL DISPOSED TOWARDS EGYPT, HAVING DONE HIS UNDERGRADUATE WORK THERE, FOLLOWED BY A YEAR IN THE U.S. ON A TRAINEESHIP WITH MERRILL LYNCH. HIS COMMENTS ON GODE WERE NOTABLE FOR THEIR LACK OF HARPING ON THE NEED FOR MORE PROJECT AND LESS CASH ASSISTANCE, A FAVORITE ATEEQI THEME. WE HESITATE TO INFER FROM THIS THAT ATEEQI HAS IN ANY WAY CHANGED HIS WELL KNOWN CIRITICAL VIEWS ABOUT EGYPT (REF C). HOWEVER, HUNAIF LEFT US WITH THE DISTINCT IMPRESSION THAT AT LEAST THE DIRECTORS OF GODE ARE WILLING TO BE FORTHCOMING ON ASSISTANCE TO EGYPT IF THIS CAN BE DONE IN SUCH A WAY THAT GODE IS NOT MADE TO LOOK LIKE WHAT IT HAS IN FACT BEEN UP TO THE PRESENT--EGYPT'S DONOR OF LAST RESORT, COVERING THE GAP BETWEEN EGYPT'S NEEDS AND THAT GIVEN BY OTHERS. SUTHERLAND

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